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C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 000586

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SUBJECT: NIGERIA: AMBASSADOR DISCUSSES PETROLEUM, SECURITY
ISSUES WITH NEW OIL BOSS

REF: A. ABUJA 501
1B. ABUJA 493
1C. ABUJA 310
1D. LAGOS 33

Classified By: Ambassador Robin R. Sanders for reasons 1.4 (b) and (d)

11. (C) The new General Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC), Mohammed Barkindo, accompanied by several of his senior staff, called on Ambassador at Embassy March 11. EconCouns also attended. Ref A reported on proposal by Barkindo for a dialogue on energy and climate policies. This message reports Barkindo's comments on petroleum sector and related issues, including Niger Delta security. Ambassador began by reporting that IOC officials had told her they were optimistic about his appointment. She asked whether NNPC still had the lead on the Gulf of Guinea Energy and Security Strategy (GGESS); she noted the USG had been an observer to the now-stalled process, and suggested that fuller U.S. participation might be possible if the GON showed that it wanted to move on GGESS. She detailed for Barkindo the work that USAID and other donor agencies were doing to support development in the Niger Delta and explained the offers that had been made by the U.S. and which were still pending to be supportive on security--while pointing out that the GON of course had the lead responsibility for security in the Delta. The U.S. had an interest in Nigeria being able to sustain oil and gas production levels. She was naturally concerned about the safety and security of American companies and personnel in the area, and had just held a town hall meeting with Exxon Mobil staff following on an earlier such meeting with Chevron. There was a focus on the security implications for production in the energy sector but also on the security impact on other foreign direct investment.

12. (C) GMD Barkindo responded that the issue of Niger Delta security had confronted him right away. He had been included in some related senior-level GON meetings and had met with the Defense Minister and the service chiefs to review the situation. They had asked the GMD for specific requirements for defending high vulnerability targets and he had provided a list of facilities. MOD was consulting with the Presidency, Barkindo said, in the search for "a more holistic way" to approach the Delta, including the possibility of

amnesty. "Some are tired and want to live normal lives, but are afraid what might happen to them," he said. The GON was discussing possible treatment terms and a timeframe for making an approach which might be "more like peacekeeping" than current military operations. If the amnesty were not effective, then the approach could change to "offensive military action," Barkindo added.

¶3. (C) Elaborating on the seriousness of security concerns, Barkindo said that export terminals had been "on and off" for some time, ship captains were insisting on being escorted in and out within 13 nautical miles of shore, night loadings had been halted and "gas side vulnerability levels were up." He noted that if the "nerve center" of the Escravos-Lagos Pipeline were knocked out such an attack could "plunge the country into darkness." Some other specific pipelines were also identified as high-risk, he said. The military were lacking personnel and support infrastructure, especially given the terrain. "They need help from friends," Barkindo stated.

¶4. (C) On GGESS, Barkindo said it was undertaken due to various factors, including the rising importance of the Gulf of Guinea in world hydrocarbon affairs. Before, NNPC had been "saddled with the responsibility of driving the process." More generally, the GON has moved towards a "dual process" in which NNPC would move away from governmental functions. He had been telling various ministers that NNPC was happy to provide logistical support to GGESS but should not be in the lead. Petroleum Minister Lukman was engaging the Presidency on the issue, Barkindo said.

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¶5. (C) Ambassador then raised upstream production issues, including arrangements for exploration contracts going forward, joint venture solvency, gas flaring and local content. Barkindo stated that the restructuring bill before the National Assembly was intended to provide for the incorporation of the joint ventures, recognizing that the present situation was unsustainable from a financial standpoint. With NNPC paying cash calls, funding, production and revenues were all falling. The restructuring is intended to "eliminate passive partners and relieve the treasury." NNPC would still be held by the GON but subsidiaries will be open for third party participation, Barkindo said. On local content, he allowed that legislation pending before the National Assembly could potentially disrupt production, and said he wanted to avoid that happening. He welcomed constructive input from the IOCs and service companies. The Ambassador noted the need for an expanded dialogue on the bill, especially with the National Assembly.

¶6. (SBU) In closing, the Ambassador presented Barkindo with a copy of the Framework for Partnership booklet detailing USG efforts on behalf of Nigeria's development.

¶7. (C) Comment: Barkindo comes across as very professional, reasonable and open. He has his work cut out for him. As he noted, production is down. The Niger Delta security situation remains daunting. It will take many months to get the restructuring right and the local content bill as presently construed would cause more than a hiccup. Barkindo seems more open than his predecessors to working in partnership with the foreign operators. If he does, he can minimize disruptions and work toward a more solid basis for oil and gas production in Nigeria. End comment.

SANDERS